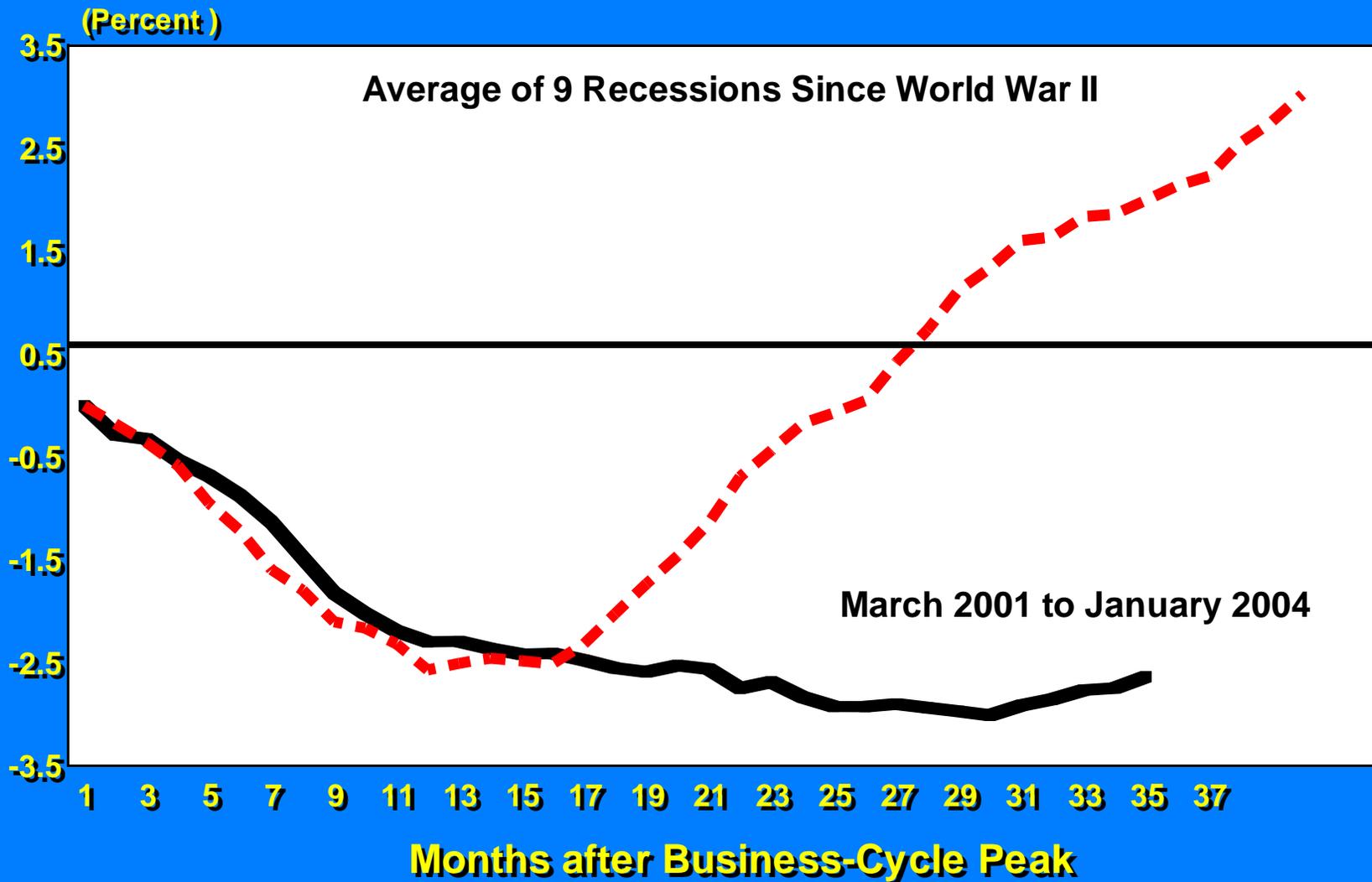


# The Job-Loss Recovery

Private-Sector Jobs, Percent Change from Business-Cycle Peak



Source: BLS

**Every minute, the Bush  
administration spends**

**\$991,000**

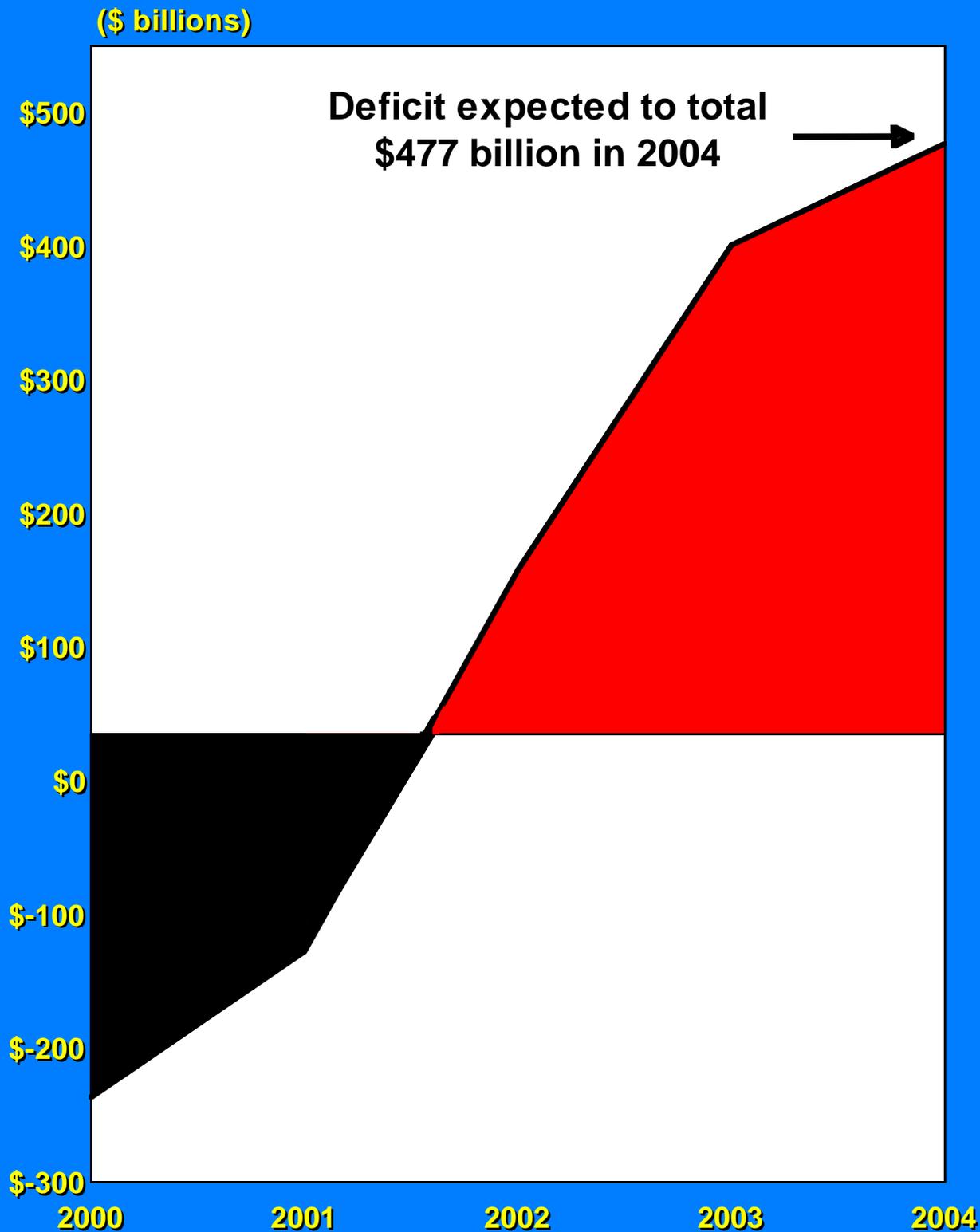
**more than it takes in.**

# **Bush Administration Said No Fear of Budget Deficits**

**“Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens.”**

**–President Bush  
Remarks at Western Michigan University  
March 27, 2001**

# President Bush Takes Us From Biggest Surplus to Biggest Deficit in Three Years



Source: CBO

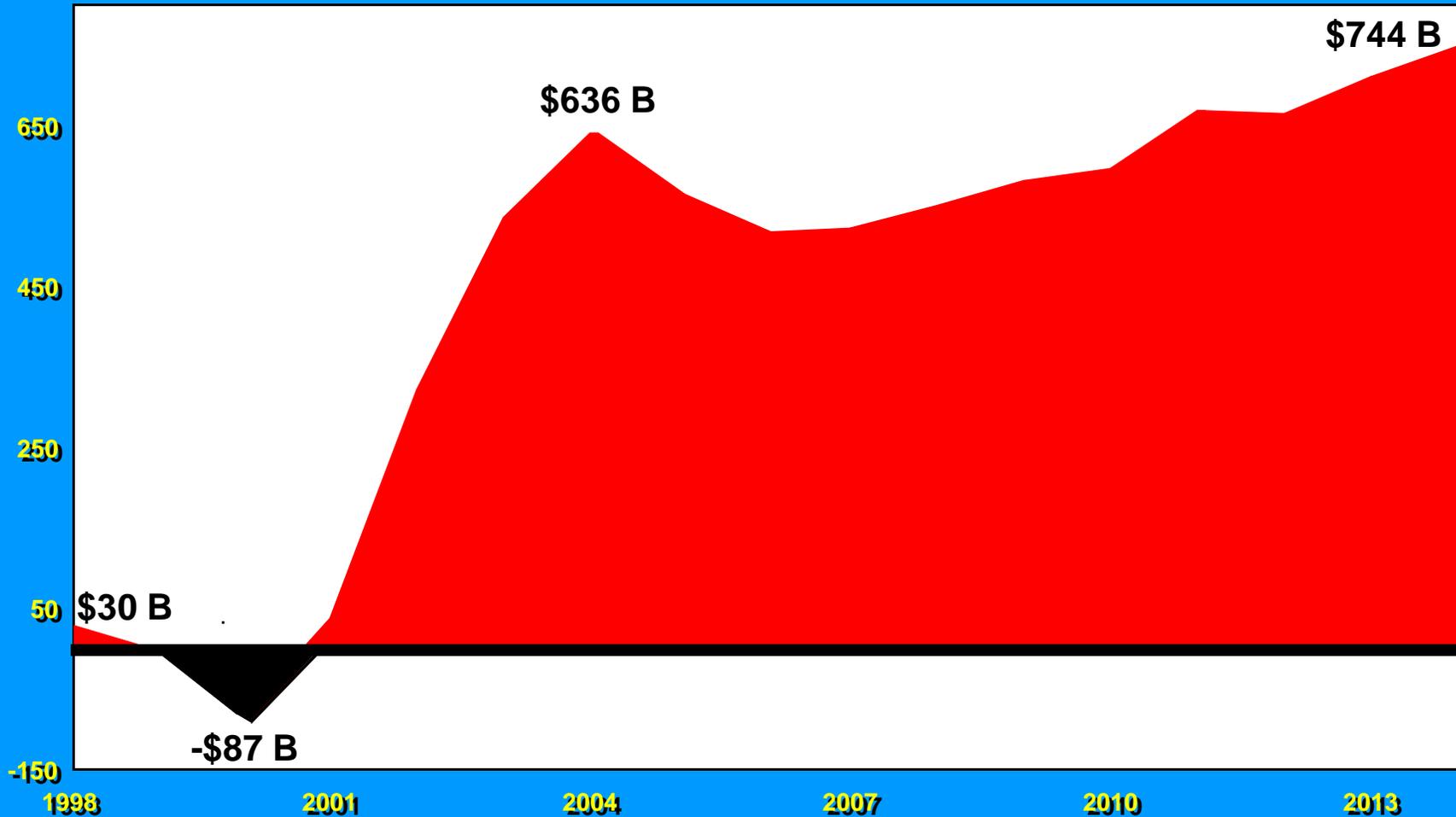
# **Bush Administration Promised Deficits Would be Small and Short-Term**

**“...[O]ur budget will run a deficit that will  
be small and short-term...”**

**–President George W. Bush  
State of the Union Address  
January 29, 2002**

# Deficits Skyrocket with Bush Budget Policies, AMT Reform, and Ongoing War Costs

(Deficit excluding Social Security in billions of \$)



Source: CBO, SBC

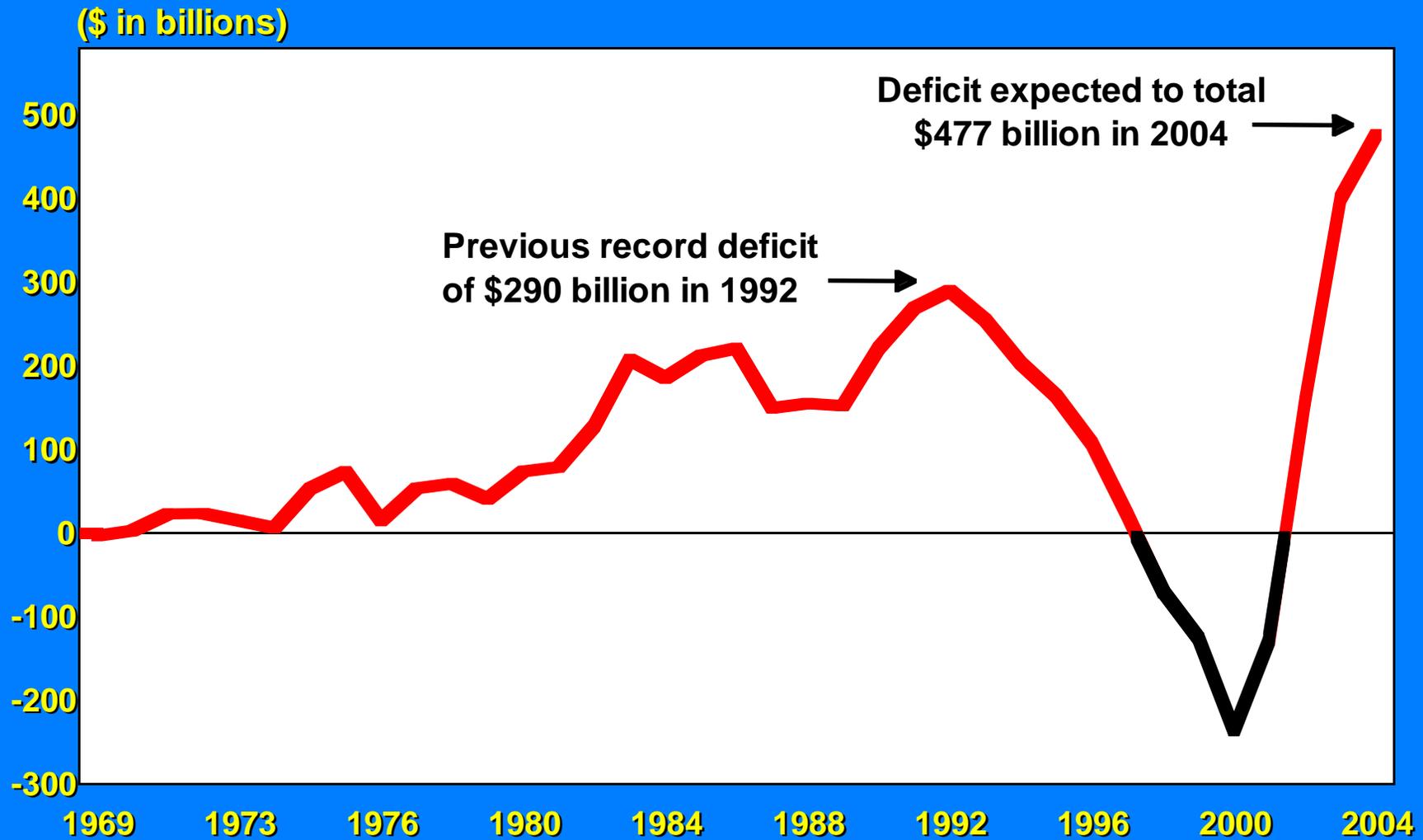
Note: CBO February 2004 reestimate of Bush budget plus AMT reform and CBO estimate of ongoing war costs.

# **Bush Administration Tried to Downplay Significance of Deficits**

**“[O]ur budget gap is small by historical standards.”**

**– President Bush’s FY 2004 Budget, page 1  
February 2003**

# Deficits in 2003 and 2004 Far Exceed Previous Record in Dollar Terms



Source: CBO

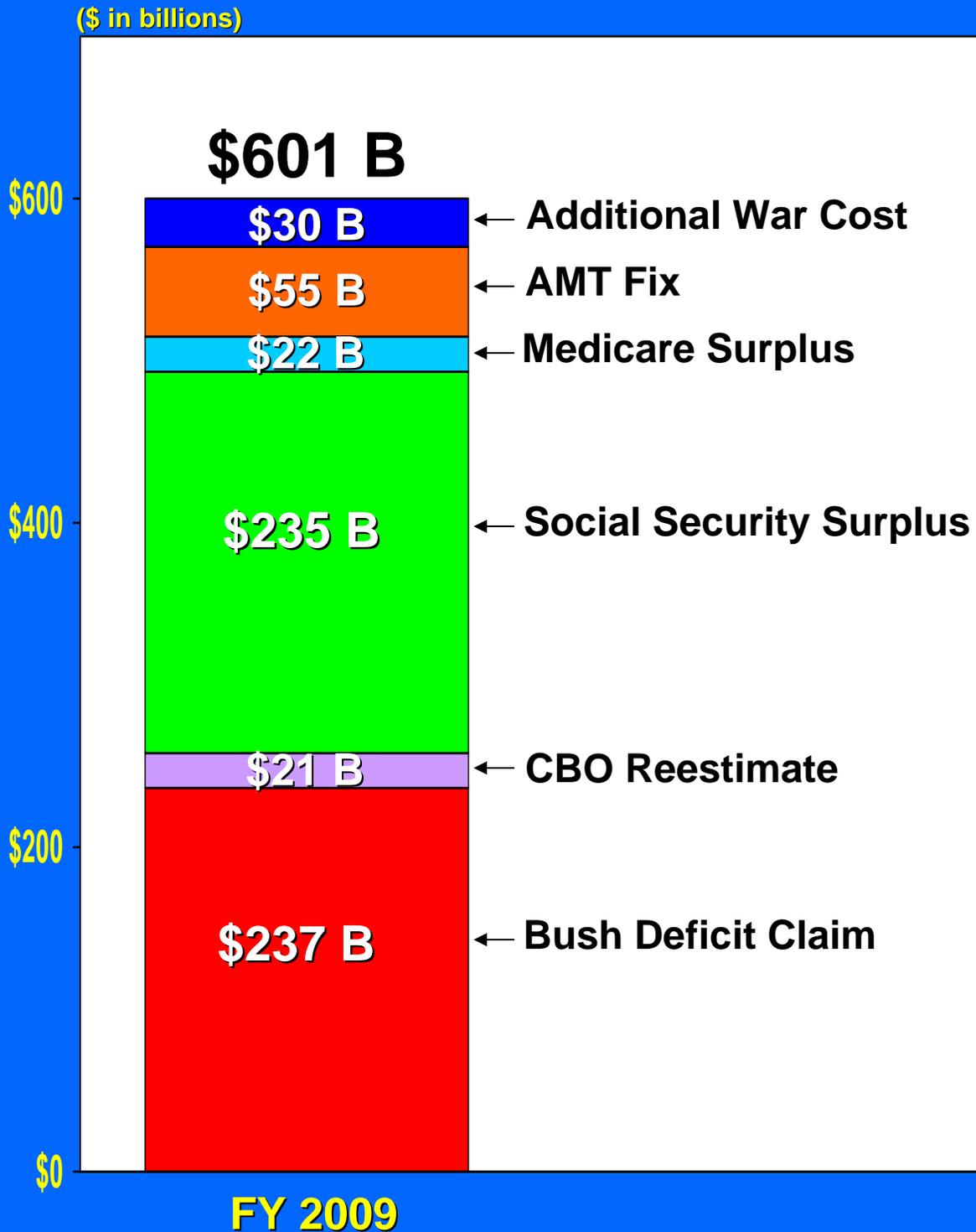
# **Bush Administration Promises Deficits Will be Reduced in the Future**

**“Now, we have laid out a plan which shows that the deficit will be cut in half over the next five years, and that’s good progress toward deficit reduction.”**

**–President George W. Bush  
Rose Garden Press Conference  
July 30, 2003**

# Bush Claim That He Will Cut Deficit in Half by 2009 is Not Credible

2009 Operating Deficit Likely to be Far Larger Than \$237 B

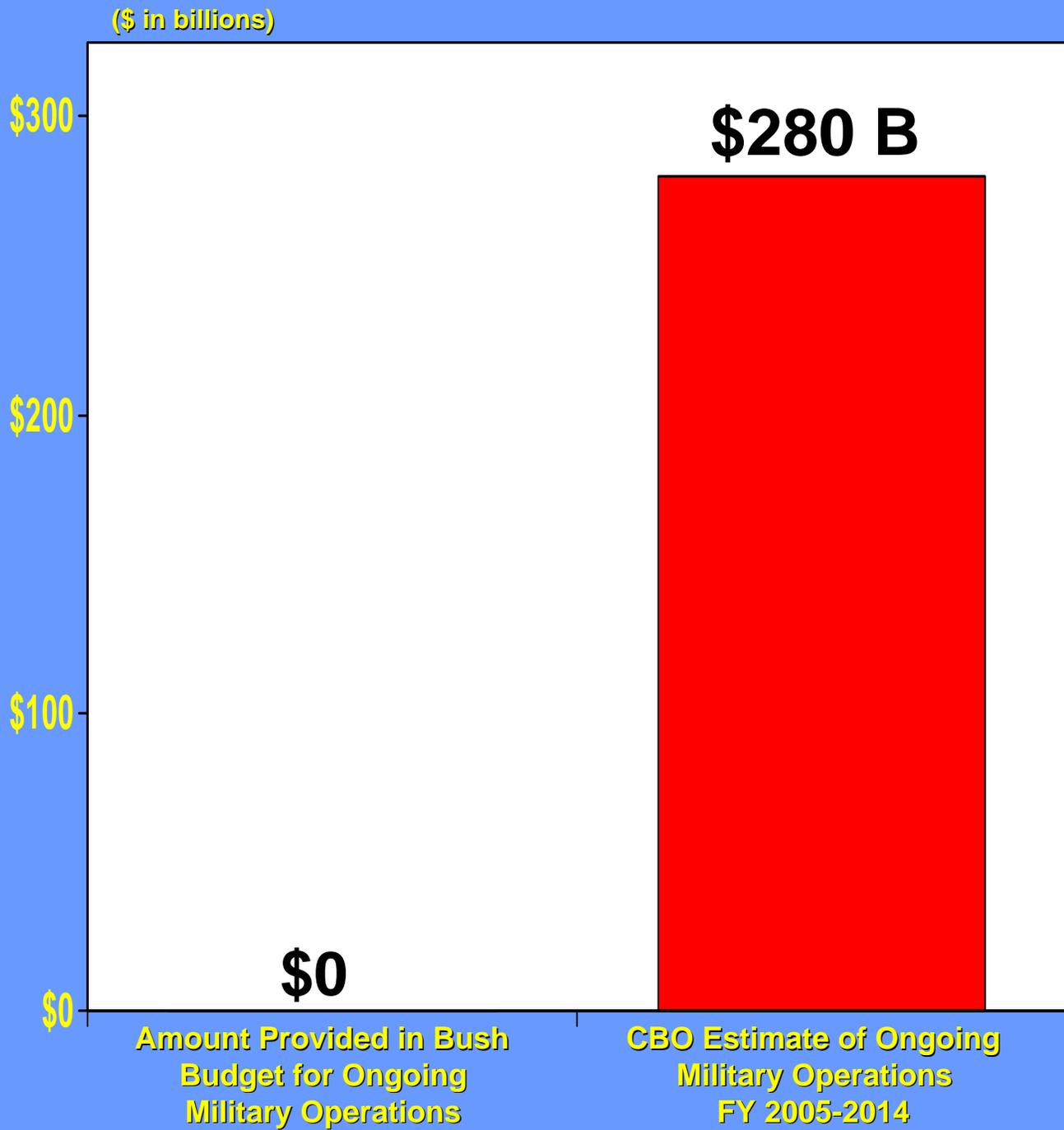


Source: CBO

Note: Includes interest

# Bush Budget Hides the Full Story

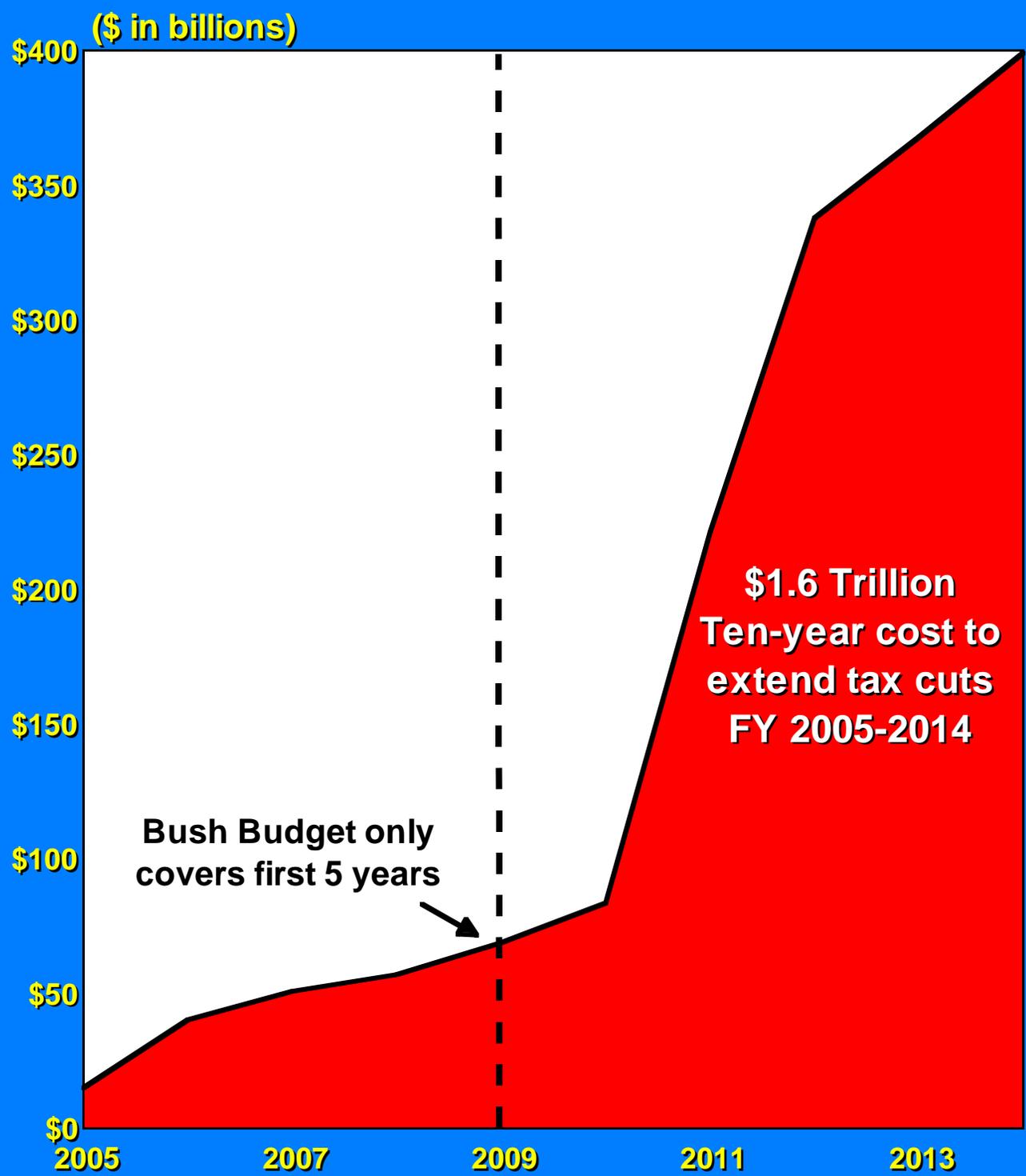
No New Funding Provided for Ongoing Operations in Iraq, Afghanistan, and Continuing War on Terror



Source: CBO Report, July 2003, "The Long-Term Implications of Current Defense Plans"

# Bush Budget Hides the Full Story

## Cost of Extending Tax Cuts Explodes Outside Five-Year Budget Window



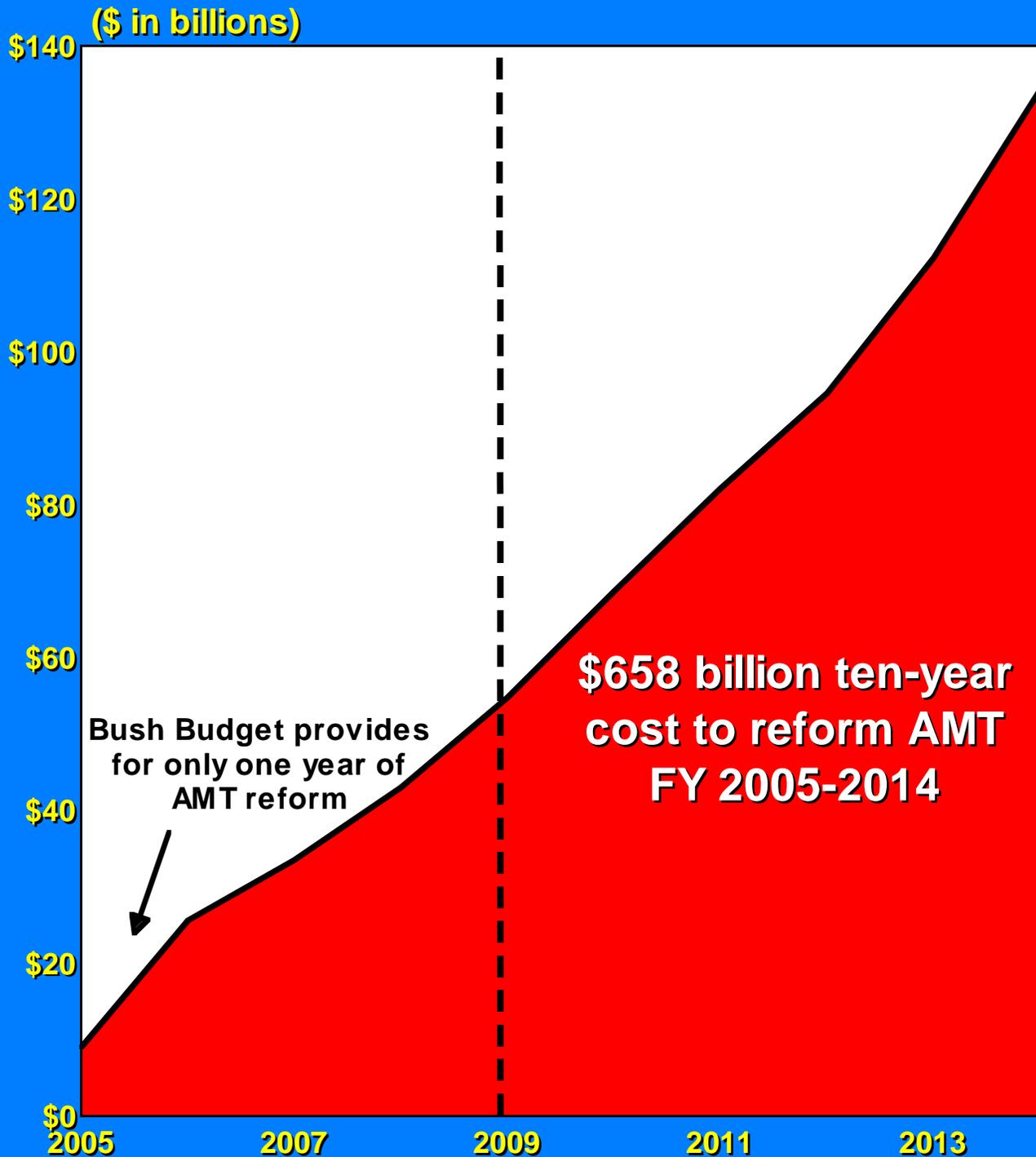
Source: CBO

Note: Includes interest cost

# Bush Budget Hides the Full Story

## Cost of AMT Reform Explodes

### Outside Five-Year Budget Window

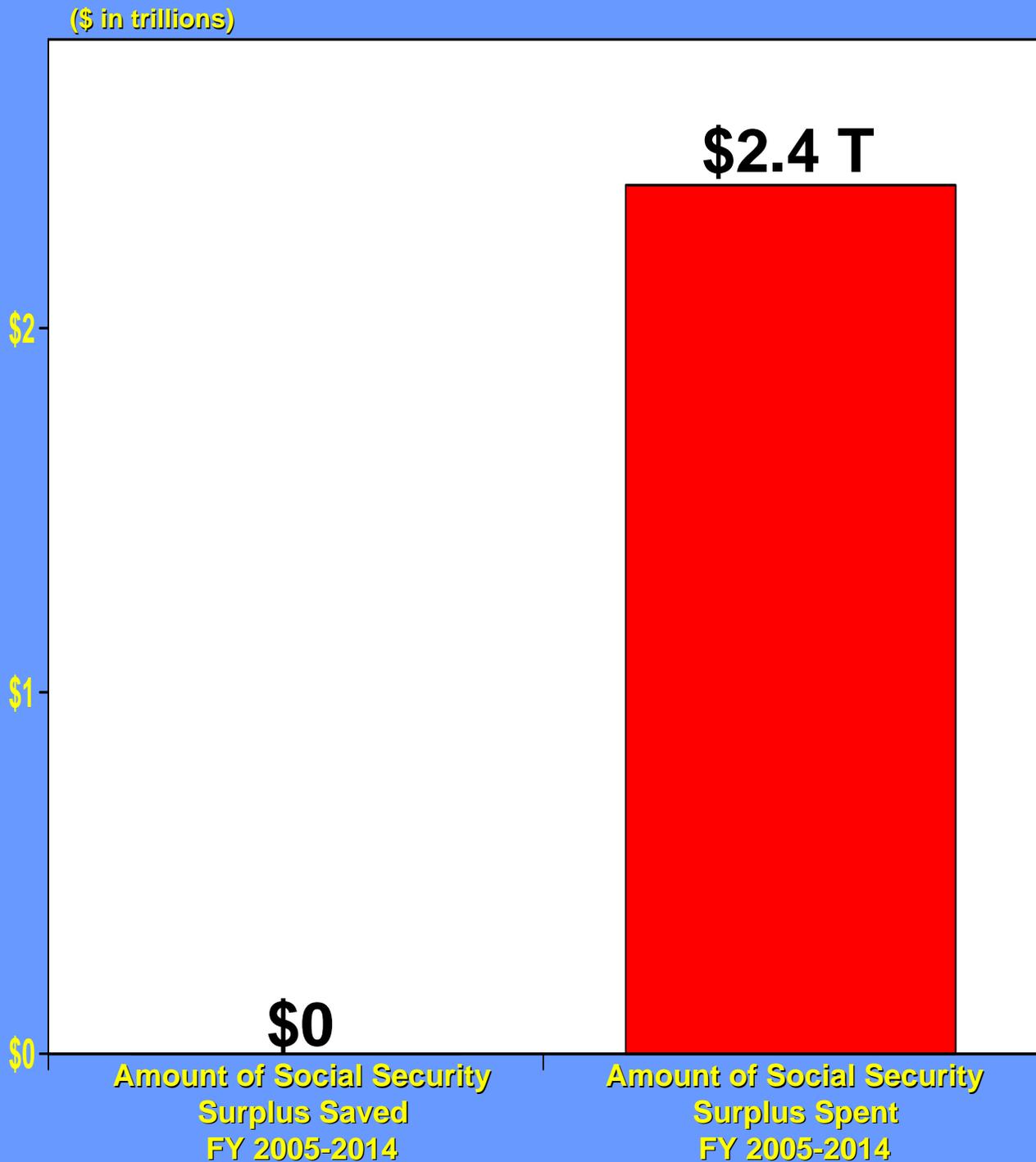


Source: CBO

Note: Cost to reform AMT if tax cuts are made permanent, including interest.

# Bush Budget Hides the Full Story

## Every Penny of Social Security Surplus Spent

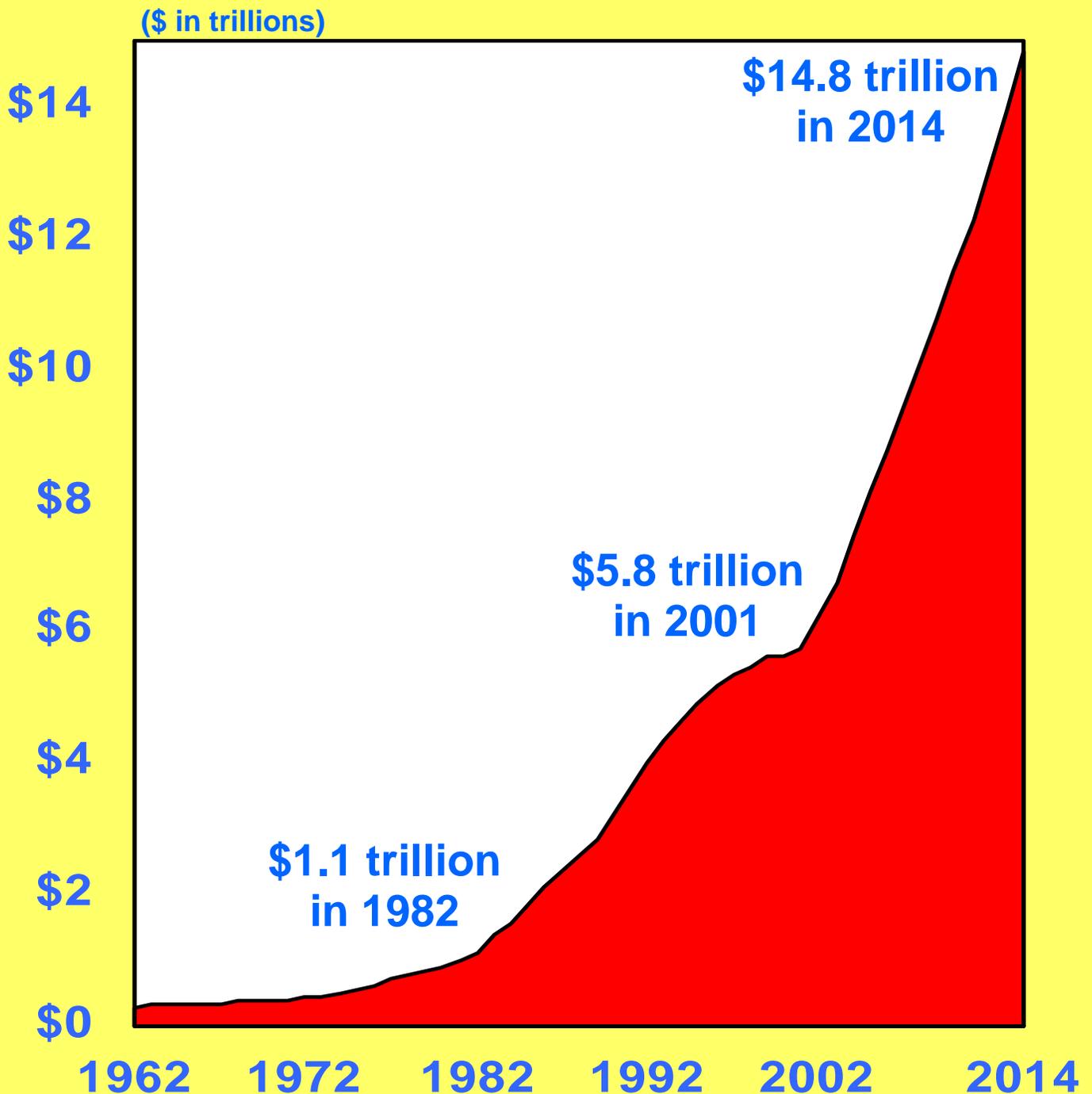


Source: CBO

Note: Amount of Social Security surplus spent on tax cuts and other things, instead of saved to prepare for retirement of baby boom generation.

# Gross Federal Debt

Assuming Bush Budget Policies,  
AMT Reform, and Ongoing War Costs



Source: OMB, CBO, and SBC

Note: CBO February 2004 reestimate of Bush budget plus AMT reform and CBO estimate of ongoing war costs.

# Top Ten Countries Holding Our National Debt

|                             |         |
|-----------------------------|---------|
| Japan                       | \$545 B |
| China                       | \$149 B |
| United Kingdom              | \$113 B |
| “Caribbean Banking Centers” | \$69 B  |
| Hong Kong                   | \$58 B  |
| Taiwan                      | \$46 B  |
| Germany                     | \$45 B  |
| OPEC                        | \$44 B  |
| South Korea                 | \$43 B  |
| Switzerland                 | \$40 B  |

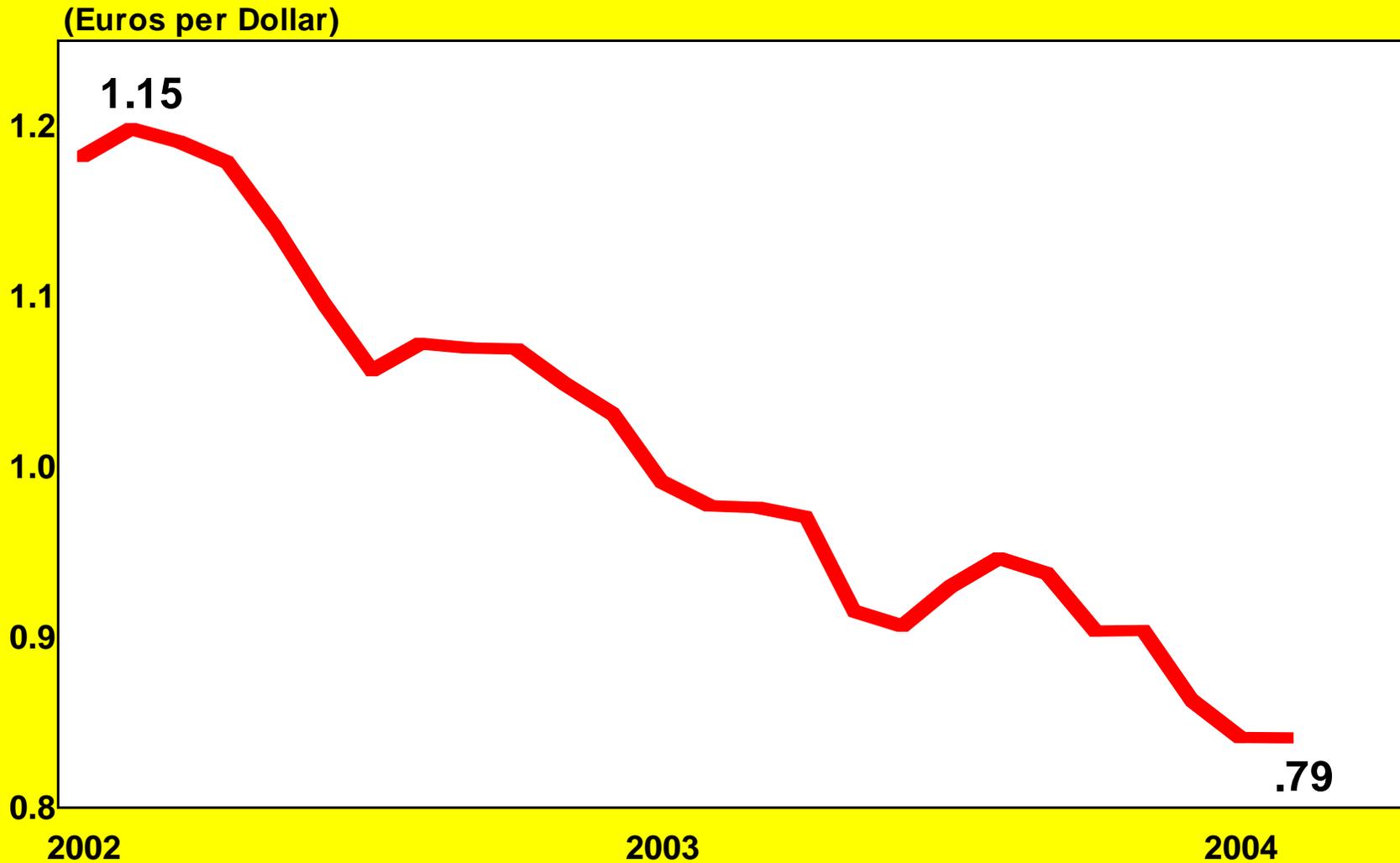
Source: Department of Treasury  
Note: As of December 2003

# **Economists Worry About Long-Term Effects of Weak Dollar and Heavy U.S. Borrowing**

**“Currency traders fretting over that dependency have been selling dollars fast and buying euros furiously. The fear is that foreigners will tire of financing America’s appetites. Foreign investors will dump U.S. assets, especially stocks and bonds, sending financial markets plummeting. Interest rates will shoot up to entice them back. Heavily indebted Americans will not be able to keep up with rising interest payments. Inflation, bankruptcies and economic malaise will follow.”**

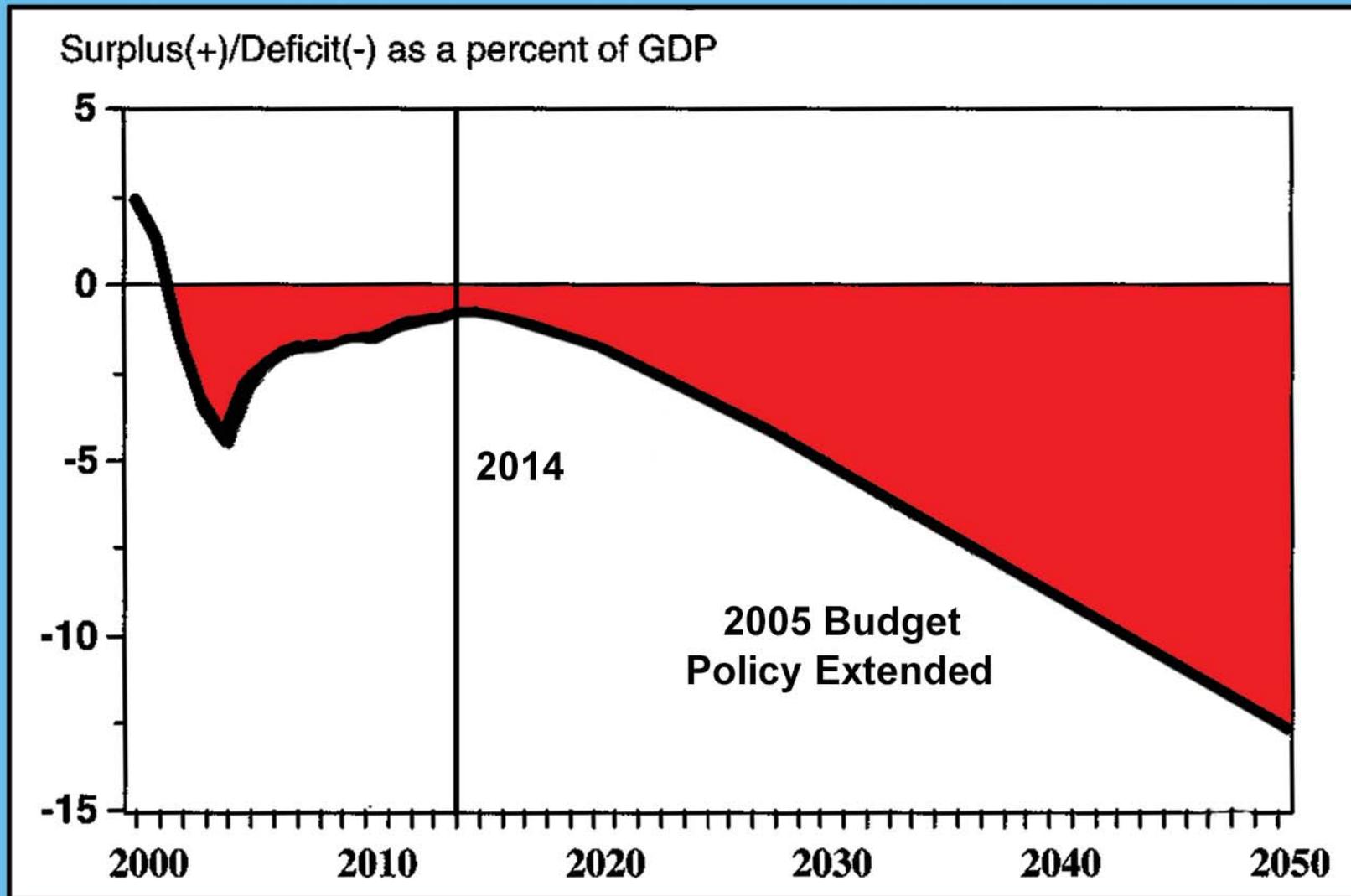
**– *Washington Post* article  
“Weak Dollar Helps U.S. Firms, for Now”  
January 26, 2004**

# Dollar Declines More Than 30 Percent Against Euro



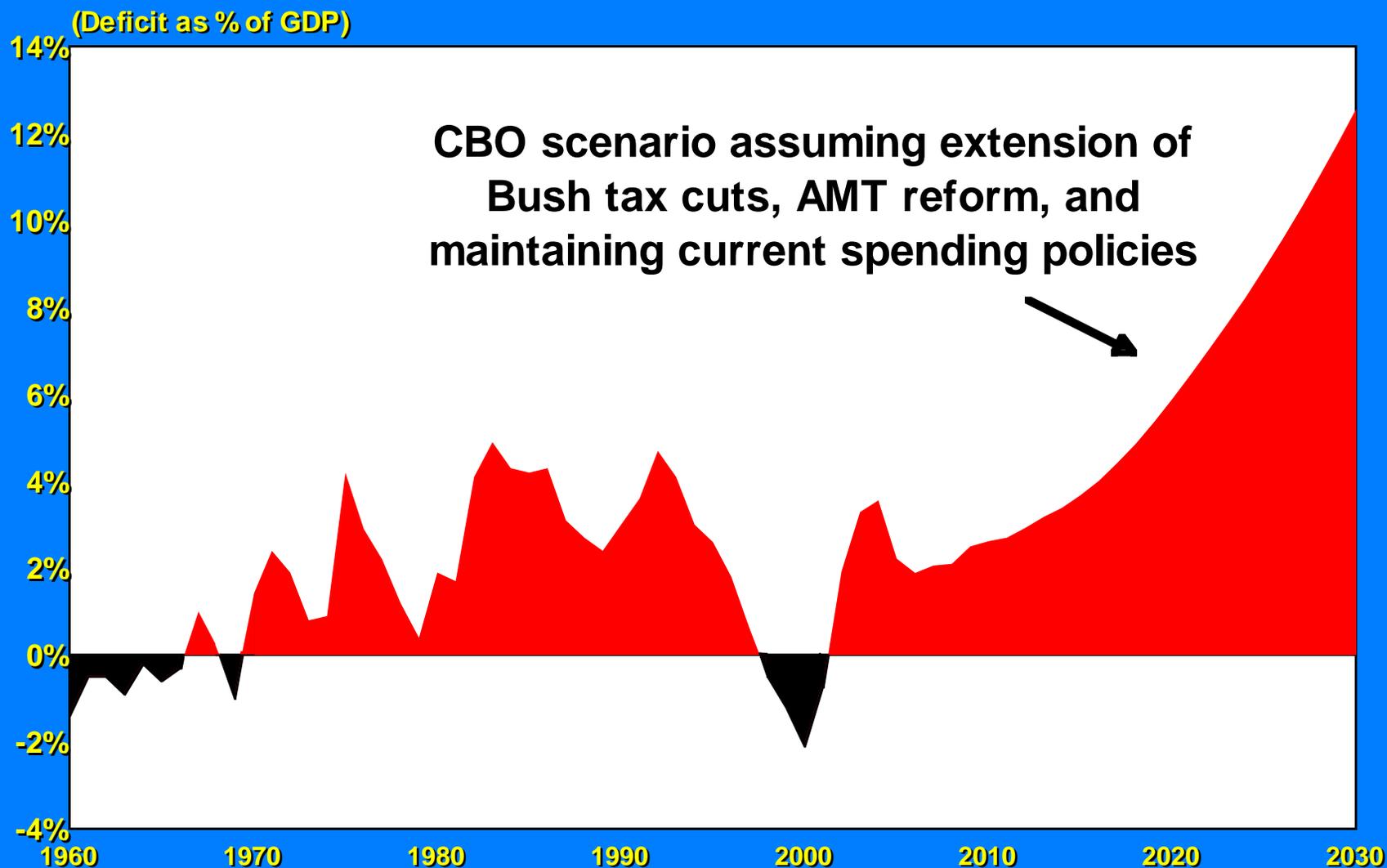
Source: Federal Reserve Board

# The Next Ten Years: The Budget “Sweet” Spot



Source: President's Budget for FY 2005, Analytical Perspectives, pg. 194

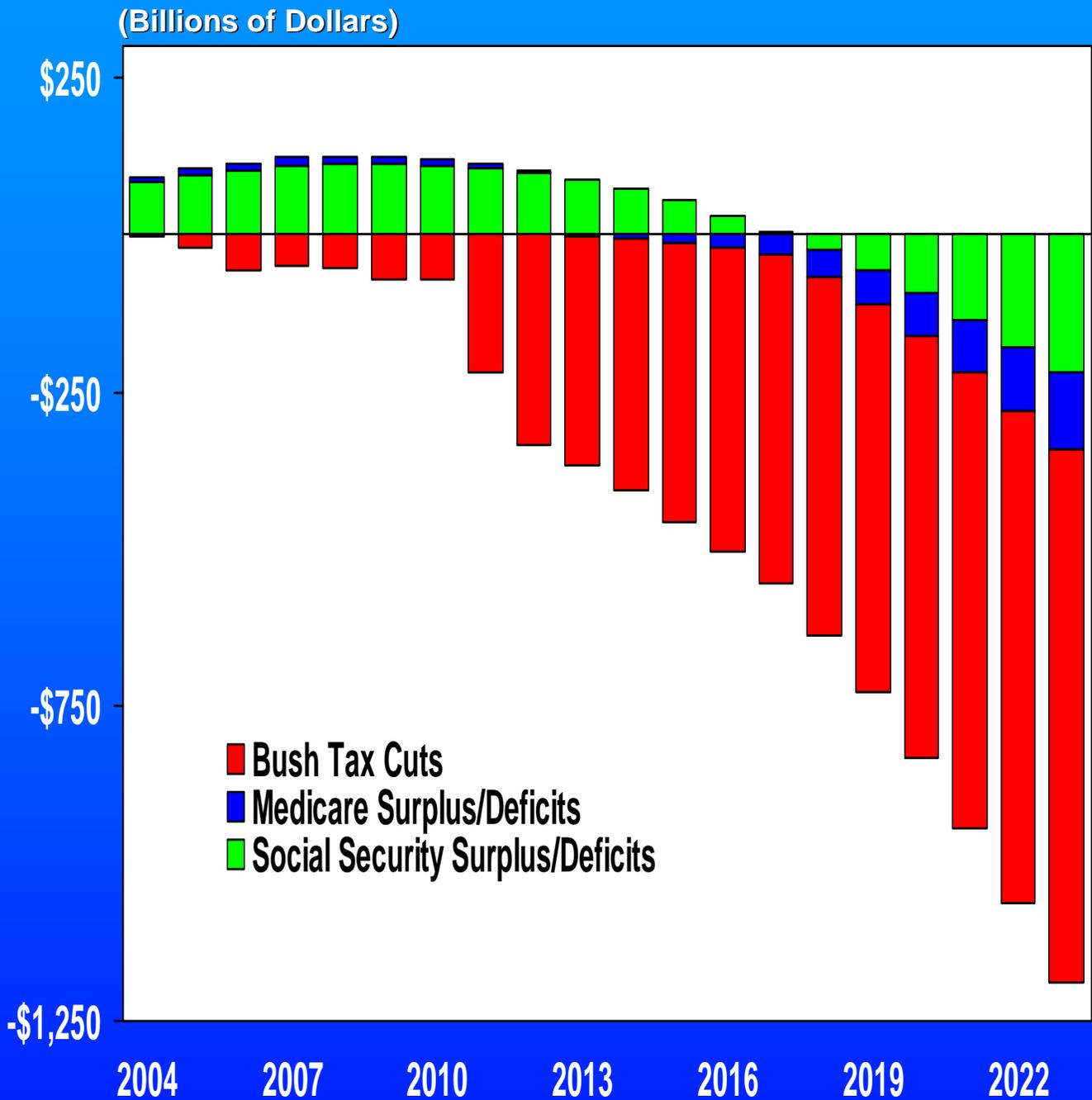
# CBO Report on Long-Term Budget Outlook Shows Bush Tax Cuts Exploding Deficit



Source: CBO report, "The Long-Term Budget Outlook," December 2003

Note: CBO scenario #1.

# Tax Cuts Explode as Trust Fund Cash Surpluses Become Deficits FY 2004-2023



Note: Tax cut includes associated interest costs.

Source: 2003 Trustees Report, CBO, and Senate Budget Committee Staff

# **CED, Concord Coalition, and CBPP Warn of Dangers of Current Fiscal Course**

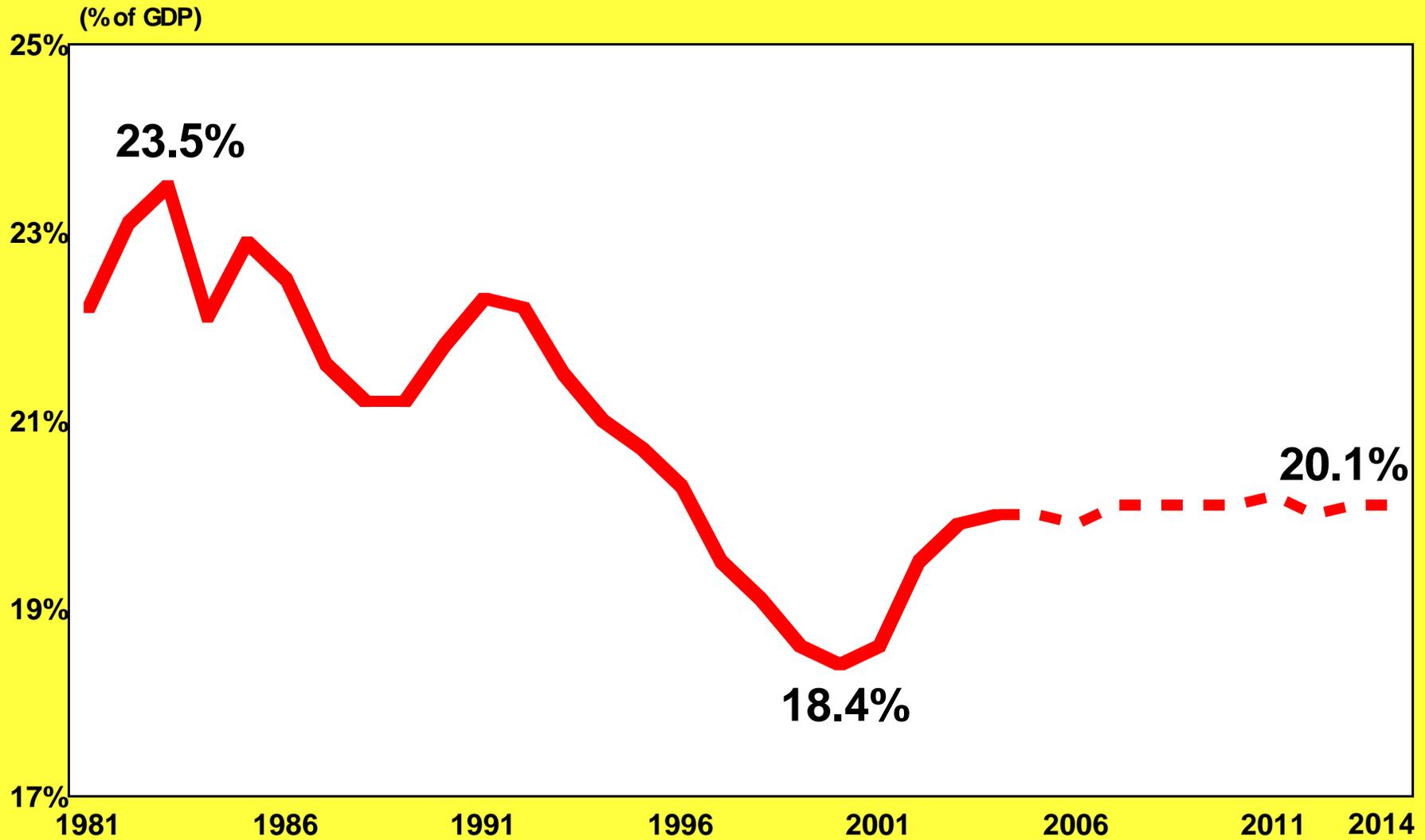
“To get a sense of the magnitude of the deficits the nation is likely to face without a change in policies, consider that even with the full economic recovery that CBO forecasts and a decade of economic growth, balancing the budget by the end of the coming decade (i.e., in 2013) would entail such radical steps as:

- raising individual and corporate income taxes by 27 percent;
- or eliminating Medicare entirely;
- or cutting Social Security benefits by 60 percent;
- or shutting down three-fourths of the Defense Department;
- or cutting all expenditures other than Social Security, Medicare, defense, homeland security, and interest payments on the debt - including expenditures for education, transportation, housing, the environment, law enforcement, national parks, research on diseases, and the rest - by 40 percent.

Beyond the next decade, the trade-offs become even more difficult.”

– **Joint Statement by Committee for Economic Development, Concord Coalition, and Center on Budget and Policy Priorities**  
“The Developing Crisis - Deficits Matter”  
September 29, 2003

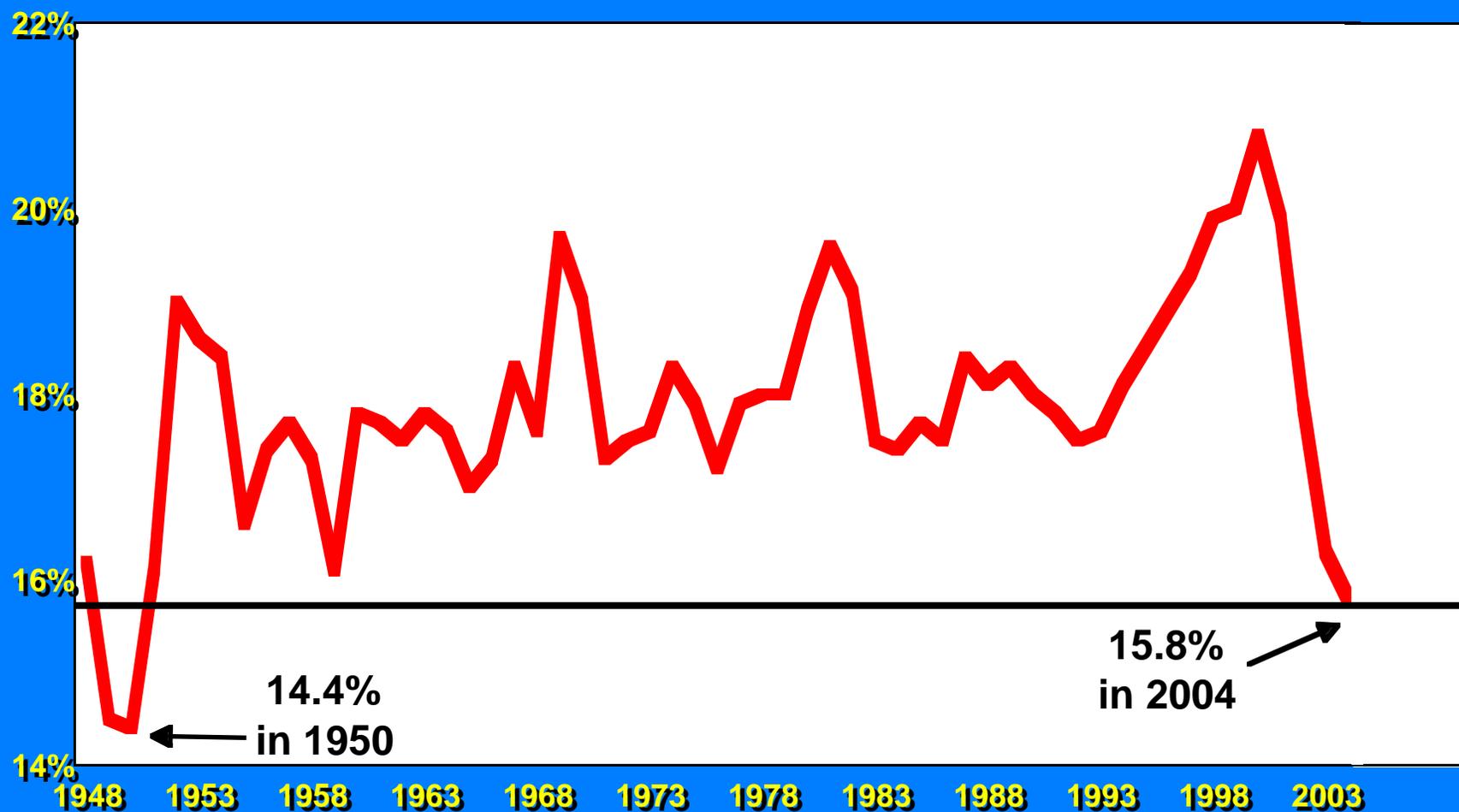
# Total Federal Spending



Source: OMB historical data and CBO March 2004 baseline.

# Revenues as a Percent of GDP

## Lowest Level Since 1950



Source: CBO